

TRS Horizons

TRS Financial Report: June 30, 2014

Actuaries from Cavanaugh Macdonald gave their annual report to the TRS Governing Board on Friday, September 26, 2014. Legislative changes enacted in the 2013 session have continued their positive influence on the TRS fund. The [2014 Actuarial Valuation](#) can be found via the [Resources](#) page of the TRS website.

Actuarial Valuations

The Montana Constitution requires the public pension systems to be funded on an actuarially sound basis, which means the unfunded liability must be amortized in 30 years or less. Based on the 2014 valuation, TRS will be fully amortized within 28 years.

The purpose of an actuarial valuation is to provide a summary of the funded status of the retirement system. A valuation uses current financial data and information regarding past trends, as well as economic and demographic data, in order to estimate future liabilities of the retirement fund. Valuations analyze future trends in terms of decades rather than taking a short-term view of the daily ups and downs of the market. Cavanaugh Macdonald, an independent consulting actuary and a member of the American Academy of Actuaries, specializes in performing valuations of public retirement systems.

Projected Progress toward 100% Funding

The table to the right shows the progress toward reaching 100% funding for TRS. When the System is 100% funded the Unfunded Actuarial Accrued Liability will be fully amortized; this is calculated to occur in 28 years. The ultimate goal of the TRS System is to become 100% funded and then to establish a reserve equal to 10% of the Systems Actuarial Accrued Liability.



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E-Newsletter

Have you [signed up for TRS Horizons e-newsletter](#)?

If you would prefer to receive an electronic version rather than a printed one, please send an email to:

trsoutreach@mt.gov

and we'll send you instructions on how to sign up.

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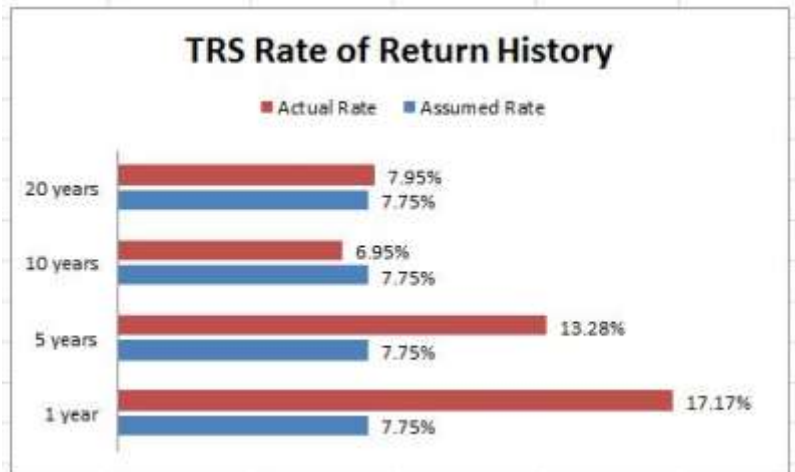


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Market Rate of Return

The investment return earned by the Montana Board of Investments (BOI) for the TRS fund for the fiscal year ending June 30, 2014 was **17.17%**. In the previous year the return rate was **13.06%**. The information in the **TRS Rate of Return History** chart was provided to the BOI by State Street Investment Analytics for the period ending June 30, 2014.

The actuarial assumed long-term rate of return has been 7.75% since July 1, 2004 and was affirmed by the TRS Governing Board at their May 16, 2014 meeting.



Comprehensive Annual Financial Report (CAFR)

In addition to annual valuations, TRS also completes a CAFR which is audited by the Montana Legislative Audit staff. These reports comply with accounting standards set by the Governmental Accounting Standards Board (GASB). The annual CAFRs are posted on the TRS website at the end of the calendar year.

Governmental Accounting Standards Board

GASB is an independent organization that establishes standards of accounting and financial reporting for U.S. state and local governments. In June 2012, they released two new standards — Statements 67 & 68 — for reporting related to public pension plans. Due to the new standards, TRS and participating TRS Employers, will be preparing CAFRs that differ significantly from past reports.

TRS has created a [GASB information](#) page on our website to help inform our employers, members, legislators, and the public regarding the GASB changes.

TRS Staff News

Department of Administration Team Award for Outstanding Service at TRS

TRS staff members *Karla Scharf*, *Natalie Chamberlain*, and *Rex Merrick* played an integral role in the Montana Teachers' Retirement Upgrade System Technology pilot project which encompassed the Retired Payroll module. These individuals were asked to do additional work associated with the pilot project without any reduction to their regular duties. They embraced this challenge and made the pilot project a success which led to Board approval of a full system upgrade. The TRS Board and Management Team greatly appreciate their efforts.



(left to right) Natalie Chamberlain, Rex Merrick, Karla Scharf, Shawn Graham, TRS Executive Director, and Sheila Hogan, Director of the Montana Department of Administration.



Guaranteed Annual Benefit Adjustment: Lawsuit Update

Currently, the lawsuit filed on October 11, 2013, *Byrne v. State of Montana*, is pending before Judge Mike Menahan in the First Judicial District Court and is scheduled for a two day bench trial on March 9, 2015. Both the plaintiff and the State have filed motions for summary judgment. If all the issues raised in a case are resolved by the court through summary judgment, no trial is necessary.



Once all briefs for the summary judgment have been submitted over the next few weeks, Judge Menahan will review and consider the arguments of both parties and rule on the motions -- he will either make a final decision or he will determine that the case must proceed to trial in March. Once Judge Menahan's final decision has been issued, the losing party has the right to appeal to the Montana Supreme Court.

If the court should decide against the plaintiffs and uphold the legislative GABA reduction, the unfunded liabilities will amortize in 17 years rather than the 28 years referenced on page 1, according to the July 1, 2014 valuation.

You can find more information on the TRS website on the [GABA Update](#) page under the [Resources](#) tab.

TRS Board Members

"With several years of experience in retirement planning and investment management, I hope to be able to quickly make a positive contribution to the TRS Board. I have a keen interest in the administration of Montana's public employees' defined benefit plans, and relish the opportunity to learn more and contribute personally to their continued success. I'm also looking forward to the opportunity to use my experience to give back to the community and state that have given me so much."

~**Daniel Trost**

Welcome to Daniel Trost who recently joined the TRS Governing Board as a public member. Dan has been in the financial services industry for 15 years and is in his 7th year as a Financial Advisor with D.A. Davidson & Co. Prior to his current position, Dan was a Risk Management Examiner with the Federal Deposit Insurance Corporation for 9 years. Dan was born and raised in Great Falls, Montana. He attended Montana State University and holds a bachelor's degree in Economics and master's degree in Applied Economics. He also earned a Diploma of Graduation from Stonier Graduate School of Banking at Georgetown University. In addition, Dan holds a Certified Wealth Strategist® (CWS®) designation from Cannon Financial Institute. Dan is a member of D.A. Davidson & Co.'s Chairman's Council, which recognizes top financial consultants for their client-first focus and involves them in the direction and philosophy of the firm. He also serves as a Director on the Board of the United Way of Lewis and Clark County.



Daniel Trost

Member and Seat	Term Expires	Email Address
Lisa Cordingley <i>Public Member, Helena</i>	July 1, 2015	LCordingley@mt.gov
Janice Muller <i>Active Member, Hamilton</i>	July 1, 2016	JMuller@mt.gov
Marilyn Ryan <i>Retired Member, Missoula</i>	July 1, 2016	MRyan2@mt.gov
Kari Peiffer, Chair <i>Active Member, Kalispell</i>	July 1, 2017	KPeiffer@mt.gov
Scott Dubbs, Vice Chair <i>Active Member, Lewistown</i>	July 1, 2018	SDubbs@mt.gov
Daniel Trost <i>Public Member, Helena</i>	July 1, 2019	DTrost@mt.gov



Retired Members!

Tax season will be here soon.

Please be sure that TRS has your correct, current mailing address.

Check your mailing address on your online account; if it is not correct, please mail in [TRS FORM 116/CHANGE OF MAILING ADDRESS](#).



Remember — the post office does not forward any mail from our office, it is returned to us.

In compliance with the Americans with Disabilities Act of 1992, alternative accessible formats of this newsletter will be provided upon request.

Please contact
trsoutreach@mt.gov
or call us at 406-444-3134.



Are You a TRS Working Retiree?

Reminder!

The [RETIRED MEMBER AND EMPLOYER NOTICE OF POST-RETIREMENT EMPLOYMENT/TRS FORM 146](#) must be completed and submitted annually at the beginning of the school year or when you sign a contract/begin working for a new employer.

The form is required for both TRS and PERS employment regardless of the number of hours you work during the year or the amount of compensation (if any).

TRS forms can be found on the website at www.trs.mt.gov or by calling (406) 444-3134 / (866) 600-4045

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